

ENVIRONMENTAL PROTECTION

OVERVIEW

The California Environmental Protection Agency (CalEPA) coordinates and supervises the environmental regulatory activities of the following boards, departments, and offices:

- Air Resources Board (ARB)
- Integrated Waste Management Board (IWMB)
- Department of Pesticide Regulation (DPR)
- State Water Resources Control Board (SWRCB)
- Department of Toxic Substances Control (DTSC)
- Office of Environmental Health Hazard Assessment (OEHHA)

A total of \$1.0 billion (\$69.8 million General Fund) is proposed for the agency's programs. This represents a decrease in overall funding of \$661 million (40.0 percent) over last year.

The large majority of the reduction is the result of the Governor's plan to defer the allocation of bond funds (primarily Prop. 40 and Prop. 50) until the May Revision; this primarily affects the budget of the State Water Resources Control Board. The General Fund continues to decline as a percentage of the overall funding for environmental programs, as special funds (mostly fees) continue to become a larger part of Cal EPA's overall budget.

Summary of Expenditures (dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$90,819	\$69,760	-\$21,059	-23.2
Special Funds	713,799	764,486	50,687	7.1
Selected Bond Funds	703,358	11,488	-691,870	-98.4
Federal Funds	160,967	161,516	549	-0.3
Total	\$1,668,943	\$1,007,025	-\$661,693	-39.6%

While the state protects the environment through the work of the above departments, the Office of the Secretary for Environmental Protection received minimal reductions which do not appear to raise any concerns. While the Secretary's office will not be discussed in this document, significant reductions and/or other fiscal issues are being proposed as follows:

3900 Air Resources Board

The Air Resource Board is responsible for protecting air quality in California. Specifically, the board monitors ambient air quality standards, administers air pollution studies, evaluates regulations adopted by the United States Environmental Protection Agency, and administers programs to maintain California's air quality standards.

The budget proposes total expenditures of \$130.3 million (\$2.2 million General Fund), a decrease of \$35.1 million (-21 percent) from the current-year budget. Although the ARB experiences a 20 percent reduction in funding, \$29.6 million is the result of the expiration of one-time funding for the Zero Emission Vehicle Grant Program and the Carl Moyer Diesel Grant Program. The remaining part of the decline (\$7.6 million) can be attributed to reductions in staff positions pursuant to Control Section 4.10 of the 2003 Budget Act.

Summary of Expenditures (dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$4,493	\$2,224	-\$2,269	-50.5
Motor Vehicle Account	79,907	68,314	-11,593	-14.5
Air Pollution Control Fund	30,915	30,894	-21	-0.1
Other Funds	11,848	12,215	367	3.1
Federal Funds	11,540	11,352	-188	-1.6
Reimbursements	3,680	3,777	97	2.6
Non-Toxic Dry Cleaning Fund	0	1,500	1,500	100.0
Proposition 40 Bond Funds	23,000	0	-23,000	-100.0
Total	\$165,383	\$130,276	-\$35,107	-21.2%

Issues

Shifting General Fund Support for the Stationary Source Program to Fees. The Governor proposes shifting \$2.6 million in General Fund support for the Stationary Source program to user fees (as noted in the table above). The Stationary Source program provides planning, rule development, and enforcement activities necessary to regulate, mitigate, and reduce pollution from stationary sources of air pollution.

In March 2003, the Legislature enacted AB 10x (Oropeza), which backfilled a \$14.4 million General Fund reduction to the Stationary Source program with fees in 2003-04. AB 10x allowed the collection of fees from (1) large facilities authorized by local air district permits emitting more than 250 tons per year of nonattainment pollutants and (2) manufacturers of consumer products and architectural coating whose total sales will result in emissions of 250 tons or more per year of volatile organic compounds. AB 10x also capped fees on large facilities authorized by local air district permits at \$13 million.

Currently, the ARB will collect \$17.4 million from approximately 80 large facilities and 80 manufacturers of consumer products and architectural coatings for the Stationary Source program. Under the Governor's proposal, fees will increase by \$2.6 million, the maximum provided by AB 10x.

Highlights

Fine Particulate (PM_{2.5}) Measurement Infrastructure Funding. The Administration proposes a one-time augmentation of \$3 million from the Air Pollution Control Fund to improve the existing measurement equipment in order to adequately measure fine particulate matter in the

air. The ARB and the federal government have regulated ambient air quality standards for “fine” (PM2.5) particulate matter concentrations. “Fine” particulate matter is thought to be a significant cause of health effects resulting from exposure to all particulate matter. Currently, the ARB’s ability to measure fine particulate matter emissions from mobile and stationary sources is inadequate.

Non-Toxic Dry Cleaning Incentive Program. AB 998 (Lowenthal -- Chapter 821, Statutes of 2003) directed the ARB to establish the Non-Toxic Dry Cleaning Incentive program by administering a fee-funded grant program. The program imposes a \$3 per gallon fee (increasing \$1 by each subsequent year between 2005 and 2013) on the manufacturers and importers of perchloroethylene (perc) for dry cleaning operations. The fee revenue will be used to (1) finance a grant program for alternative dry cleaning systems that are non-toxic and non-smog forming (2) develop a demonstration project to showcase these cleaner technologies. The ARB anticipates expenditures of \$1.5 million in the budget year for this program.

3910 Integrated Waste Management Board

The Integrated Waste Management Board’s (IWMB) mission is to promote source reduction, recycling, composting, and environmentally safe transformation as alternatives to the disposal of solid waste at landfills. The board also protects the public health and safety through the regulation of existing and new solid wasteland disposal sites.

The budget proposes total expenditures of \$165.1 million (\$0 General Fund), an increase of \$50.5 million (44.1 percent) from the current-year budget. The significant increase in funding is all attributed to the implementation of the new Electronic Waste Recycling Program (See *Highlights* section below).

Summary of Expenditures (dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$0	\$0	\$0	0
Integrated Waste Mgt. Account	42,734	41,856	-878	-2.1
CA Used Oil Recycling Fund	23,066	20,720	-2,346	-10.2
CA Tire Recycling Fund	31,406	31,530	124	0.4
E-Waste Recycling Account	0	52,323	52,323	100
Other Special Funds	16,556	18,310	1,754	10.6
Reimbursements	585	200	-385	-65.8
Federal Funds	106	0	-106	-100.0
Pop. 40 Bond Funds	136	136	-0	0.0
Total	\$114,589	\$165,075	\$50,486	44.1%

Highlights

Electronic Waste Recycling Program. SB 20 (Sher -- Chapter 526, Statutes of 2003) requires the IWMB and the Department of Toxic Substances Control (DTSC) to implement the Electronic

Waste Recycling Program which assesses an e-waste recycling fee (ranging from \$6 to \$10 depending on the size of the electronic device) on consumers at the point of purchase to fund the collection and disposal of e-waste containing toxic materials. The Administration proposes expenditures of \$52.3 million to implement this program at the IWMB.

3930 Department of Pesticide Regulation

This Department of Pesticide Regulation (DPR) was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental effects of pesticides; (2) regulates, monitors, and controls the use of pesticides in the state; (3) tests produce for pesticide residue levels; and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department is funded primarily from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund.

The budget proposes total expenditures of \$56.6 million (\$1,000 General Fund), a decrease of \$2.0 million (3.5 percent) from the current-year budget. The slight reduction in overall funding is attributed to reductions in staff positions pursuant to Control Section 4.10 of the 2003 Budget Act.

Summary of Expenditures				
(dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$4,695	\$1	-\$4,694	-100.0%
Dept. of Pesticide Regulation Fund	50,511	53,182	2,671	5.3%
Other Funds	804	760	-44	-5.5%
Federal Trust Fund	2,138	2,167	29	1.4%
Reimbursements	473	479	6	1.3%
Total	\$58,621	\$56,589	-\$2,032	-3.5%

The decline in General Fund for the department is partially offset by an increase in funding from the Pesticide Regulation Fund. In the Budget Act of 2003, the Legislature shifted the department's remaining General Fund to fees effective January 1, 2003, leaving \$4.7 million in General Fund for the mid-year transition. The reduction in General Fund is therefore directly attributable to the increase in revenues from pesticide fees than originally anticipated, thus eliminating the need for General Fund support.

3940 State Water Resources Control Board

The State Water Resources Control Board (SWRCB) regulates water quality in the state and administers water rights. The board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or above-ground tanks; and (3) administering state and federal loans and grants to local governments for the

construction of wastewater treatment facilities. Nine regional water quality control boards establish water discharge requirements and carry out water pollution control programs in accordance with state board policies. The board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

The budget proposes total expenditures of \$603.8 million (\$27.6 million General Fund), a decrease of \$569.1 million (48.5 percent) from the current-year budget. The dramatic decrease in funding is due to the Governor's plans to allocate the board's bond funding during the May Revision. As such, a complete analysis of the board's budget cannot be completed at this time.

Summary of Expenditures (dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
<i>State Operations</i>				
General Fund	\$37,248	\$27,560	-\$9,688	-26.0
Underground Storage Tank Cleanup Fund	240,623	243,084	2,461	1.0
Waste Discharge Permit Fund	52,466	52,587	121	0.2
State Water Quality Control Fund	20,090	20,465	375	1.9
Integrated Waste Mgt. Account	5,291	5,284	-7	-0.1
Water Rights Fund	4,617	7,764	3,147	68.2
Federal Funds	36,495	36,481	-14	0.0
Reimbursements	9,920	9,772	-148	-1.5
Prop. 40 Bond Funds	2,351	2,453	102	4.3
Prop. 50 Bond Funds	3,587	2,719	-868	-24.2
Other Funds	11,310	9,490	-1,820	-16.1
<i>Subtotal</i>	\$423,998	\$417,659	-\$6,339	-1.5%
<i>Local Assistance</i>				
State Revolving Loan Subaccount	15,000	-	N/A	N/A
Small Communities Grant Subaccount	6,000	-	N/A	N/A
Water Recycling Subaccount	47,377	-	N/A	N/A
Drainage Management Subaccount	6,000	-	N/A	N/A
State Water Pollution Control Revolving Fund	96,000	96,000	0	0.0%
State Water Quality Control Fund	132	132	0	0.0%
All Other Bond Funds	488,382	-	N/A	N/A
Federal Funds	90,000	90,000	0	0.0%
<i>Subtotal</i>	\$748,891	\$186,132	-\$562,759	-75.1%
Total	\$1,172,889	\$603,791	-\$569,098	-48.5%

Highlights

General Fund Reduction. The Governor proposes reductions of approximately \$10 million General Fund for various water quality programs such as: implementation of statewide septic tank standards, investigation of contaminated wells, technical support for investigation of emerging pollutants, water quality management, water quality control planning, and Chromium 6 investigations. Of the approximate \$10 million in General Fund reductions, about \$5.1 million will be shifted to fees and special funds, for the following activities: information technology, administration, quality assurance, and water quality trend monitoring. These fund shifts will not require any increase in fees.

3960 Department of Toxic Substances Control

The Department of Toxic Substances Control's (DTSC) mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it: (1) regulates hazardous waste management; (2) cleans up sites that have been contaminated by toxic substances; and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes.

The budget proposes total expenditures of \$160.4 million (\$17.1 million General Fund), an increase of \$483,000 (0.3 percent) from the current-year budget.

Summary of Expenditures				
(dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$19,644	\$17,150	-\$2,494	-12.7
Hazardous Waste Control Account	49,293	45,371	-3,922	-8.0
Site Remediation Account	9,271	8,258	-1,013	-10.9
Illegal Drug Lab Cleanup Fund	1,970	2,071	101	5.1
Hazardous Substance Subaccount	2,600	2,500	-100	-3.8
Removal and Remedial Action Acct.	4,170	6,666	2,496	59.9
Hazardous Substances Clearing Acct.	2,939	2,737	-202	-6.9
Toxic Substances Control Account	41,148	42,715	1,567	3.8
E-Waste Recycling Acct.	0	557	557	100
Federal Trust Fund	20,688	21,516	828	4.0
Other Funds	160	2,373	2,213	1383.1
Reimbursements	8,369	8,501	132	1.6
Total	\$159,932	\$160,415	\$483	0.3

3980 Office of Environmental Health Hazard Assessment

This Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. OEHHA currently (1) develops and recommends health-based standards for

chemicals in the environment; (2) develops policies and guidelines for conducting risk assessments; and (3) provides technical support for environmental regulatory agencies.

The budget proposes total expenditures of \$12.5 million (\$8.1 million General Fund), a decrease of \$1.1 million (7.9 percent) from the current-year budget. The reduction in overall funding is attributed primarily to reductions in staff positions pursuant to Control Section 4.10 of the 2003 Budget Act.

Summary of Expenditures				
(dollars in thousands)	2003-2004	2004-2005	\$ Change	% Change
General Fund	\$9,135	\$8,135	-\$1,000	-10.9
California Used Oil Recycling Fund	487	487	0	0.0
Dept. of Pesticide Regulation Fund	766	766	0	0.0
Ca. Environ. License Plate Fund	781	787	6	0.8
Integrated Waste Management Acct.	297	297	0	0.0
Underground Storage Tank Cleanup Fund	110	110	0	0.0
Prop 65 Safe Drinking Water and Toxic Enforcement Fund	337	337	0	0.0
Reimbursements	1,633	1,560	73	-4.5
Total	\$13,546	\$12,479	-\$1,067	-7.9